

October 10, 2012

Jennifer J. Johnson, Secretary  
Board of Governors of the  
Federal Reserve System  
20<sup>th</sup> St. and Constitution Ave. NW  
Washington, DC 20551

Office of the Comptroller  
of the Currency  
250 E St. SW  
Mail Stop 2-3  
Washington, DC 20219

Robert E. Feldman, Executive Secretary  
Attn: Comments/Legal ESS  
Federal Deposit Insurance Corporation  
550 17<sup>th</sup> St. NW  
Washington, DC 20429

RE: Basel III Capital Proposals

Ladies and Gentlemen:

Thank you for the opportunity to provide my comments on the Basel III proposals that were recently issued for public comment by the Federal Reserve Board, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation.

I am President and CEO of a \$93,000,000 bank in Minnesota. Basel III will have a large negative affect on my bank and others of similar size.

Basel III was created for the largest, systemically important banks of which we are not and never will be. We are banks that serve 'Main Street USA' working with small business owners that employ millions of workers which the country and economy desperately needs and depends on.

We don't need complication and additional overhead for compliance and managing complex risk weighting formulas from Basel III. We didn't cause the problem, we aren't the problem and we shouldn't be further burdened because of the problem.

Raising capital requirements for small banks at a time when capital is so difficult to come by is a formula that could force banks out of business and that is the last thing our local economies need.

Our risk levels are lower than large banks because we are relationship banks. We know our customers; they live in our communities. They are not some large loan pool which is non descript and of higher risk.

In addition, Basel III has rules that will alter the treatment of capital of mortgage servicing assets, deferred tax assets and trust preferred securities further hampering our efforts to be successful in the market place.

Please do the right thing and relieve the proposed burden of Basel III on small community banks. The future of a robust, big and small banking system is dependent on it.

Sincerely,



Steven L. Droem  
President/CEO

445 East Lake Street, Suite 110, Wayzata, MN 55391-1670 phone 952.473.1959 fax 952.473.1969  
7525 Office Ridge Circle, Eden Prairie, MN 55344-3644 phone 952.944.6050 fax 952.944.3787  
[www.flagshipbanks.com](http://www.flagshipbanks.com)

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